

**NORTH CENTRAL REGIONAL PLANNING COMMISSION**

**FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED MARCH 31, 2010**

# **NORTH CENTRAL REGIONAL PLANNING COMMISSION**

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POTTBERG, GASSMAN & HOFFMAN

Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

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**Executive Board Members**  
**North Central Regional Planning Commission**  
**Beloit, Kansas**

We have audited the accompanying financial statements of North Central Regional Planning Commission (NCRPC), as of and for the year ended March 31, 2010, as listed in the table of contents. These financial statements are the responsibility of NCRPC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Kansas Municipal Audit Guide*. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in Note 1, NCRPC has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of NCRPC, as of March 31, 2010, or the changes in its financial position for the year then ended. Further, NCRPC has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash and unencumbered cash balances of NCRPC, as of March 31, 2010, and its cash receipts and expenditures for the year then ended, on the basis of accounting described in Note 1.

### MEMBERS:

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Kansas Society of Certified  
Public Accountants



In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2010, on our consideration of NCRPC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of NCRPC. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements of NCRPC. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

The budget report on page 9 is not a required part of the financial statements but is supplementary information. We have applied certain limited procedures, which consisted primarily of inquires of management regarding the methods of measurement and presentation of the supplemental information. However we did not audit the information and express no opinion on it.

*Pottberg, Gassman & Hoffman, Chld.*

Pottberg, Gassman & Hoffman, Chartered  
Manhattan, Kansas  
November 24, 2010

# **NORTH CENTRAL REGIONAL PLANNING COMMISSION**

## **SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH** **FOR THE YEAR ENDED MARCH 31, 2010**

<u>Fund</u>	<u>Beginning Unencumbered Cash Balance</u>	<u>Prior Year Canceled Encumbrances</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add</u>	
						<u>Outstanding Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
Governmental Type Funds:							
General Fund	\$ 165,463	\$ -	\$ 9,221,570	\$ 8,595,926	\$ 791,107	\$ 5,289	\$ 796,396
Fiduciary Type Funds							
Private Purpose Trust Fund	122,295	-	183,471	194,046	111,720	-	111,720
Total Reporting Entity	<u>\$ 287,758</u>	<u>\$ -</u>	<u>\$ 9,405,041</u>	<u>\$ 8,789,972</u>	<u>\$ 902,827</u>	<u>\$ 5,289</u>	<u>\$ 908,116</u>
Composition of Cash							
					Checking Accounts Certificates of Deposit		\$ 808,975
							<u>99,141</u>
					Total Reporting Entity		<u>\$ 908,116</u>

The notes to the financial statements are an integral part of this statement.

# **NORTH CENTRAL REGIONAL PLANNING COMMISSION**

## **STATEMENT OF CASH RECEIPTS AND EXPENDITURES FOR THE YEAR ENDED MARCH 31, 2010**

	Weatherization					Total
	General	Homeland Security	LIEAP	DOE	DOE (ARRA)	
<b>Cash Receipts:</b>						
Grant Income and Contracts	\$ 452,757	4,509,098	300,000	589,872	2,387,997	8,350,247
Local Contributions	58,500	-	-	-	-	58,500
Interest from Bank	3,270	-	-	-	-	3,270
Reimbursement / Fees	651,736	-	-	-	-	651,736
Transfers In	27,716	-	-	-	-	27,716
Miscellaneous Revenue	78,655	319	-	-	-	130,101
<b>Total Cash Receipts:</b>	<b>1,272,634</b>	<b>4,509,417</b>	<b>300,000</b>	<b>589,872</b>	<b>2,387,997</b>	<b>9,221,570</b>
<b>Expenditures:</b>						
Homeland Security Expenses	10,679	4,478,971	-	-	-	4,489,650
Salaries and Wages	303,893	-	-	86,874	228,453	724,634
Payroll Taxes and Benefits	63,486	-	-	20,545	55,398	162,806
Audit	6,450	-	-	12,941	-	19,141
Building Repair and Maintenance	4,224	-	-	-	-	4,224
Insurance	43,986	-	-	7,168	21,162	75,176
Office Supplies	9,073	-	-	68	696	10,825
Dues / Subscriptions	16,250	-	-	35	1,621	19,614
Postage	11,803	-	-	80	418	12,546
Occupancy Expense	12,606	-	-	-	399	14,858
Telephone and Utilities	330,788	-	-	2,136	6,977	343,977
Equipment Rental/Maintenance	4,810	-	-	922	4,862	13,279
Materials and Supplies	231,568	-	-	229,163	624,721	1,085,452
Professional Fees	34,091	-	-	-	-	36,171
Travel	16,922	-	-	9,861	38,937	72,104
Capital Purchases	-	-	-	-	165,252	165,252
Transfers Out - Local Match	43,227	-	-	-	-	43,227
Transfers Out - RLF	-	-	-	-	-	-
Conferences and Seminars	633	-	-	224	12,316	14,323
Contract Labor	195,876	-	-	222,802	593,778	1,014,323
Miscellaneous Expense	23,489	-	-	505	1,862	26,105
Weatherization Expenses	-	-	104,683	-	-	104,683
Advertising Expense	16,000	-	-	-	-	16,000
Transfer to NCKCN	127,556	-	-	-	-	127,556
<b>Total Expenditures</b>	<b>1,507,410</b>	<b>4,478,971</b>	<b>104,683</b>	<b>593,324</b>	<b>1,756,852</b>	<b>8,595,926</b>
<b>Receipts Over Expenditures</b>						<b>625,644</b>
Unencumbered Cash, Beginning						165,463
Unencumbered Cash, Ending						791,107

The notes to the financial statements are an integral part of this statement.

# **NORTH CENTRAL REGIONAL PLANNING COMMISSION**

## **STATEMENT OF CASH RECEIPTS AND EXPENDITURES** **FOR THE YEAR ENDED MARCH 31, 2010**

### **Revolving Loan Fund**

#### **Cash Receipts:**

Interest From Bank	\$ 865
Interest on Loans	31,737
Principal Payments	142,941
Miscellaneous Revenue	7,928
Total Cash Receipts	<u>183,471</u>

#### **Expenditures:**

Salaries and Wages	14,290
Payroll Taxes and Benefits	3,506
Audit	-
Insurance	333
Office Supplies	256
Dues / Subscriptions	44
Postage	105
Occupancy Expense	271
Telephone and Utilities	442
Equipment Rental / Maintenance	131
Materials and Supplies	-
Professional Fees	8,742
Travel	255
Loans Granted	137,600
Conferences and Seminars	3
Contract Labor	73
Transfer to General	27,716
Miscellaneous Expense	279
Total Expenditures:	<u>194,046</u>
Receipts over Expenditures	(10,575)
Unencumbered Cash, Beginning	<u>122,295</u>
Unencumbered Cash, Ending	<u>111,720</u>

The notes to the financial statements are an integral part of this statement.

# **NORTH CENTRAL REGIONAL PLANNING COMMISSION**

## **NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2010**

### **Note 1 Summary of Significant Accounting Policies**

#### **A. Financial Reporting Entity**

The North Central Regional Planning Commission (Commission) was created under provisions of K.S.A. 12-2901 et seq. per resolutions, and presently serves a twelve-county area of North Central Kansas. The purpose of the Commission is to support the activities of member counties and cities, giving local leadership access to information and technical expertise, which would otherwise be unavailable in a truly rural setting.

The Commission was officially recognized as the Regional Planning Commission for the area in March 1972. Membership consists of county and / or city governmental units. The Governing Board is composed of one representative of each county commission or municipality, as well as private sector and at-large representatives. Total executive board membership on March 31, 2010 was sixteen.

#### **B. Statutory Basis of Accounting**

The statutory basis of accounting, as used in the preparation of these financial statements, is designed to demonstrate compliance with the cash basis laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The Commission has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the Commission to use the statutory basis of accounting.

#### **C. Departure from Generally Accepted Accounting Principles**

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown non-cash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the equipment owned by the Commission are not presented in the financial statements. Capital assets arising from cash transactions are accounted for as capital outlay expenditures upon acquisition. Also, long-term debt such as capital leases and compensated absences are not presented in the financial statements.

#### **D. Budgetary Control**

The Commission's management prepares a budget of estimated cash receipts and expenditures annually for the ensuing fiscal year. The annual operating budget is adopted, but is for internal management use only. State of Kansas statutes do not require the Commission to prepare or submit a legal budget.



# **NORTH CENTRAL REGIONAL PLANNING COMMISSION**

## **NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2010**

### **Note 1 Summary of Significant Accounting Policies, continued**

#### **D. Budgetary Control, continued**

Spending is controlled by federal regulations, other statutes, or by use of internal spending limits established by the governing body. A comparison of actual cash receipts and expenditures and budget amounts is presented as supplemental information.

### **Note 2 Deposits**

K.S.A. 9-1401 establishes the depositories which may be used by the Commission. The statute requires banks eligible to hold the Commission's funds have a main or branch bank in the county in which the Commission is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Commission has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Commission's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Commission has no investment policy that would further limit its investment choices.

*Concentration of credit risk.* State statutes place no limit on the amount the Commission may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

*Custodial credit risk – deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. State statutes require the Commission's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Commission has no designated 'peak period.' All deposits were legally secured at March 31, 2010.

As of March 31, 2010, the Commission's carrying amount of deposits was \$908,116 and the bank balances totaled \$1,219,996. The bank balances were held by 2 banks resulting in a concentration of credit risk. Of the bank balances, \$500,000 was covered by federal depository insurance and \$719,996 was collateralized with securities held by the pledging financial institution's agents in the Commission's name.

### **Note 3 Revolving Loan Fund**

In 1990, the Commission received an Economic Development Administration (EDA) grant of \$472,650 to be used in a revolving loan fund program matched with \$158,377 in local funds. Currently, loans are made to applicants from a nine-county area that meet specific criteria. 100% of the interest received from these loans may be used for documented administrative costs. The Commission cannot leave more than 25% of the funds idle or they may be sequestered. The EDA can review activity and can request repayment of grant funds if adequate activity is not maintained.

As of March 31, 2010, there were 14 loans outstanding totaling \$720,295 with interest rates ranging from 3.25% to 5.00%.

## **NORTH CENTRAL REGIONAL PLANNING COMMISSION**

### **NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2010**

#### **Note 4 Compensated Absences**

The Commission's policy is to recognize the costs of compensated absences when actually paid.

The Commission's policy regarding vacation leave allows full-time permanent employees to earn one day of vacation for each month of continuous employment. An employee may accumulate a maximum of 15 days at a time. Management estimated a dollar amount of accrued vacation at March 31, 2010 of \$36,262.

Regular full-time employees accumulate sick leave at the rate of one day per month, and may accumulate up to 180 days. Employees are not paid unused sick pay upon termination.

#### **Note 5 Defined Benefit Pension Plan**

##### **A. Plan Description**

The Commission contributes to the Kansas Public Employees Retirement System (KPERs), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERs provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERs issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERs (611 S Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

##### **B. Funding Policy**

K.S.A. 74-4919 establishes the KPERs member-employee contribution rate at 4% of covered salary for employees hired prior to July 1, 2009 and 6% of covered salary for employee's hired on or after July 1, 2009. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERs is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERs employers. The employer rate established for calendar year 2010 was 6.54%. The Commission employer contributions to KPERs for retirement and insurance for the years ending December 31, 2009, 2008 and 2007 were \$41,634, \$34,726, and \$32,172, respectively, equal to the required contributions for each year.

#### **Note 6 Litigation**

There were no legal actions involving the Commission as of March 31, 2010.

#### **Note 7 Risk Management**

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To insure against risk of these types of losses, the Commission has purchased commercial insurance coverage. Settled claims resulting from these risks have not exceeded commercial coverage in the past three years.

## SUPPLEMENTAL INFORMATION

# NORTH CENTRAL REGIONAL PLANNING COMMISSION

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET FOR THE YEAR ENDED MARCH 31, 2010

<b>GENERAL FUND</b>	<b><u>Actual</u></b>	<b><u>Budget</u></b>	<b><u>Variance - Over (Under)</u></b>
Cash Receipts:			
Grant Income and Contracts	8,350,247	6,609,684	1,740,563
Local Contributions	58,500	57,250	1,250
Interest from Bank	3,270	5,350	(2,080)
Interest on Loans	27,716	58,000	(30,284)
Reimbursement / Fees	651,736	755,226	(103,490)
Transfers In	-	-	-
Miscellaneous Revenue	130,101	108,250	21,851
Total Cash Receipts:	<u>9,221,570</u>	<u>7,593,760</u>	<u>1,627,810</u>
Expenditures:			
Homeland Security Expenses	4,489,650	3,804,703	684,947
Salaries and Wages	724,634	762,034	(37,400)
Payroll Taxes and Benefits	162,806	217,966	(55,160)
Audit	19,141	23,000	(3,859)
Building Repair and Maintenance	4,224	19,000	(14,776)
Insurance	75,176	52,000	23,176
Office Supplies	10,825	15,000	(4,175)
Dues / Subscriptions	19,614	15,000	4,614
Postage	12,546	12,000	546
Occupancy Expense	14,858	18,000	(3,142)
Building Note Payment	-	19,704	(19,704)
Telephone and Utilities	343,977	411,000	(67,023)
Equipment Rental/Maintenance	13,279	41,000	(27,721)
Materials and Supplies	1,085,452	933,000	152,452
Professional Fees	36,171	37,000	(829)
Travel	72,104	108,000	(35,896)
Capital Purchases	165,252	133,200	32,052
Transfers Out	43,227	-	43,227
Conferences and Seminars	14,323	14,000	323
Contract Labor	1,014,323	955,000	59,323
Miscellaneous Expense	26,105	58,500	(32,395)
Weatherization Expense	104,683	-	104,683
Advertising Expense	16,000	-	16,000
Transfer to NCKCN	127,556	-	127,556
Total Expenditures	<u>8,595,926</u>	<u>7,649,107</u>	<u>946,819</u>
Receipts Over Expenditures	<u>625,644</u>	<u>(55,347)</u>	<u>680,991</u>

The notes to the financial statements are an integral part of this statement.

**NORTH CENTRAL REGIONAL PLANNING COMMISSION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED MARCH 31, 2010**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Commerce			
Economic Development Administration			
Support for Planning Organization	11.302	05-83-0495-02	\$ 64,840
Economic Development Administration - Economic Adjustment Assistance			
Revolving Loan Fund	11.307	05-390-2438	664,971
Total U.S. Department of Commerce			<u>729,811</u>
U.S. Department of Energy			
Passed through Kansas Housing Resources Corporation			
Weatherization Assistance for Low Income Persons	81.042	2009-DOE-11	590,812
ARRA-Weatherization Assistance for Low Income Persons	81.042	DOE ARRA -11	1,756,853
			<u>2,347,665</u>
U.S. Department of Health and Human Services			
Passed through Kansas Department of Health and Environment			
Public Health Emergency Preparedness	93.069	PHEP 09	9,085
	93.069	PHEP 10	31,575
			<u>40,660</u>
Passed through Kansas Housing Resources Corporation			
Low Income Energy Assistance Program	93.568	2009-LIEAP-11	104,683
Total U.S. Department of Health and Human Services			<u>145,343</u>
U.S. Department of Homeland Security			
Passed through the Kansas Highway Patrol			
Homeland Security Grant Program	97.067		4,478,971
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 7,701,790</u>

The accompanying notes are an integral part of this schedule.

## **NORTH CENTRAL REGIONAL PLANNING COMMISSION**

### **NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** **FOR THE YEAR ENDED MARCH 31, 2010**

#### **NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of North Central Regional Planning Commission and is presented on the accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT  
AUDITING STANDARDS**

**Executive Board Members  
North Central Regional Planning Commission  
Beloit, Kansas**

We have audited the financial statements of North Central Regional Planning Commission (NCRPC) as of and for the year ended March 31, 2010, and have issued our report thereon dated November 24, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Kansas Municipal Audit Guide.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered NCRPC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NCRPC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of NCRPC's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reports, listed as 2009-1 and 2009-2. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**MEMBERS:**

American Institute of  
Certified Public Accountants

Kansas Society of Certified  
Public Accountants



### Compliance and Other Matters

As part of obtaining reasonable assurance about whether NCRPC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of NCRPC in a separate letter dated November 24, 2010.

NCRPC's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Commission's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Pottberg, Gassman & Hoffman, Chartered.*

Pottberg, Gassman & Hoffman, Chartered  
Manhattan, Kansas  
November 24, 2009





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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

**Executive Board Members  
North Central Regional Planning Commission  
Beloit, Kansas**

**Compliance**

We have audited the compliance of North Central Regional Planning Commission (NCRPC) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2010. NCRPC's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to each of its major federal programs is the responsibility of NCRPC's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; Kansas Municipal Audit Guide; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about NCRPC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Organization's compliance with those requirements.

In our opinion, NCRPC complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2010.

**Internal Control over Compliance**

The management of NCRPC is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered NCRPC's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing an opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

**MEMBERS:**

American Institute of  
Certified Public Accountants

Kansas Society of Certified  
Public Accountants



A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

NCRPC's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit their responses and, accordingly, we express no opinion on the responses.

This report is intended for the information and use of the board, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Pottberg, Gassman : Hoffman, Chld.*

Pottberg, Gassman & Hoffman, Chartered  
Manhattan, Kansas  
November 24, 2010

## NORTH CENTRAL REGIONAL PLANNING COMMISSION

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED MARCH 31, 2010

#### SECTION I – SUMMARY OF AUDIT RESULTS

##### Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Significant deficiencies identified?   X   Yes        No
- Material weakness(es) identified?        Yes   X   No
- Noncompliance material to financial statements noted?        Yes   X   No

##### Federal Awards

Internal control over major programs:

- Significant deficiencies identified?   X   Yes        No
- Material weakness(es) identified?        Yes   X   No

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?        Yes   X   No

Indication of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
81.042	U.S. Department of Energy Weatherization Home Assistance Program
97.067	U.S. Department of Homeland Security Homeland Security Grant Program

Dollar threshold used to Distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk Auditee?        Yes   X   No

#### SECTION II – FINANCIAL STATEMENT FINDINGS

##### 2009-1

- Requirement – Security over access to financial data.
- Condition – Several employees have access to data in the financial software: the office manager, her back-up and the executive director. The office manager and her back-up have

## **NORTH CENTRAL REGIONAL PLANNING COMMISSION**

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** **FOR THE YEAR ENDED MARCH 31, 2010**

personal passwords. The executive director recently obtained access and uses the office manager's password.

- **Context** – During the audit it was noted that the shared password was spoken in conversation and reference was made to the location of where it was written.
- **Potential effects** – When multiple employees use the same password it is not possible to trace access and transactions to individuals or be aware if the entries have been reviewed or approved.
- **Cause** – Shared passwords do not allow notation of segregation of duties.
- **Recommendation** – The financial software allows for individual passwords for each employee needing access to the data. The passwords can also limit the type of access each employee has.
- **Response** – The executive director will obtain a personal password for the financial software in FY 2011 in order to provide unique access to the financial records.

#### **2009-2**

- **Criteria** – Management is responsible for the fair presentation of the financial statements in conformity with the cash basis and budget laws of the State of Kansas.
- **Condition** – Management requested us to prepare draft financial statements including recommendations for adjustments needed to convert the financial data from the accrual basis.
- **Context** – at Management's request, we prepared recommended adjustments to the financial statements in conformity with the cash basis and budget laws of Kansas.
- **Effect** – Management did not use correct cutoff procedures for posting transactions to the financial statements.
- **Cause** – Management is using accrual methods for some of their financial statement transactions.
- **Recommendation** – Management should move towards posting transactions on the cash basis of accounting.
- **Response** – The organization plans to move towards posting transactions on the cash basis of accounting.

### **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

#### **2009-3**

- **Criteria** – Management is responsible for compliance with grant agreements applicable to each of its major federal programs.
- **Condition** – Not all contractors paid with ARRA funds were searched on the EPLS system.
- **Context** – Documentation for the review of weatherization contractors used on the EPLS report had not been completed.

## **NORTH CENTRAL REGIONAL PLANNING COMMISSION**

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** **FOR THE YEAR ENDED MARCH 31, 2010**

- **Effect** – Some of the work done with federal funds had not been tested for compliance by management.
- **Cause** – Management did not review a new contractor as they were added until requested for the audit.
- **Recommendation** – Management should review each contractor before engaging them on weatherization projects.
- **Response** – The Excluded Parties Listing System in an online verification process for contractors engaged for work paid with federal funding. The new contractor for 2010 has now been verified as not being on the EPLS system. Subsequent verifications will also occur on future new contractors involving Weatherization ARRA funding and other ARRA funding.

#### **SECTION IV – SUMMARY OF PRIOR AUDIT FINDINGS**

##### **2008-1**

- **Requirement** – K.S.A. 9-1402 and K.S.A. 9-1405, Depository Securities and Custodial Agreements.
- **Condition** – \$125,696 at the Guaranty State Bank & Trust Co. was unsecured and custodial agreements with Guaranty State Bank & Trust Co. and First National Bank were not on file or approved by the Commission.
- **Context** – in reading the minutes of the commission there was no mention of the custodial agreements and the Pledged Securities Report on file showed the security interest market values were less than the account balances held at the bank.
- **Potential effects** – Depository securities pledged may not meet the statutory requirements and should the banks go into default the funds held would be in jeopardy.
- **Cause** – the Office Manager is not comparing the Pledged Securities report with the bank statements nor presenting the report to the Commission at their meetings.
- **Recommendation** – bank balances should be monitored when large deposits are received, and if balances are expected to be maintained for more than a short period of time, the bank should be notified and asked to provide additional pledged securities. Also the Pledged Securities Report should be presented with the financial information at each Executive Board meeting for review and approval of changes.
- **Response** – The NCRPC anticipation is to pursue improvements in this area prior to the next fiscal year audit.
- **Current Status** – Pledged securities information has been monitored more actively from April 1, 2009 to March 31, 2010. Related pledging information has also been provided to executive board members.

##### **2008-2**

- **Requirement** – K.S.A. 10-815, Outstanding Checks, requires checks outstanding for two years or more be canceled and restored to the funds originally charged.

## **NORTH CENTRAL REGIONAL PLANNING COMMISSION**

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** **FOR THE YEAR ENDED MARCH 31, 2010**

- Condition – the main checking account has 4 uncleared checks totaling \$361 that were issued during the periods 2005 – 2006.
- Context – during the review of Bank reconciliations the outstanding checks were noted.
- Effect – statutory violation as State law requires these amounts be canceled and restored to the funds originally charged.
- Cause – Office Manager is unaware of the statutory requirement.
- Recommendation – these checks be reviewed as to their original use and canceled and returned to the grantor is applicable.
- Response – The NCRPC anticipation is to pursue improvements in this area prior to the next fiscal year audit.
- Current Status – Outstanding checks, accounts payable and accounts receivable were also monitored more actively during the past fiscal year. At the December 2009 executive board meeting the board reviewed aged outstanding checks and moved to cancel them.

#### **2008-3**

- Criteria – Management is responsible for the fair presentation of the notes to the financial statements in conformity with the cash basis and budget laws of the State of Kansas.
- Condition – Management requested us to prepare draft financial statements including the related notes.
- Context – at Management's request, we prepared the notes to the financial statements in conformity with the cash basis and budget laws of Kansas.
- Effect – Management was unable to evaluate the completeness of the financial statement disclosures.
- Cause – Management does not have the ability or expertise to perform a review of the fair presentation of the notes to the financial statements.
- Recommendation – Management must continue to review, approve and accept responsibility for the financial statements and work towards gaining an understanding of required financial statement disclosures.
- Response – The NCRPC anticipation is to pursue improvements in this area prior to the next fiscal year audit.
- Current Status – This is still being improved upon. The prepared draft notes for the financial statements have been reviewed and the executive director and other key staff are growing in knowledge as well as the statutory requirements pertaining to them. KMAC compliance training will be pursued in 2011.